
CHANGING FACETS OF RURAL INDIA

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This research paper is primarily exploratory in nature based on secondary research on a review of literature available in India. Large Indian business houses offering modern retail are looking to increase their national reach by opening up shop in semi urban and rural areas. According to the 2011 census 68.84% of India's population is rural (i.e. 83.3 crore people). Rural markets in India are an acknowledged viable market as infrastructure is developing: leading to better connectivity by road, access to mass media through TV, electrification of households has opened up the rural market for durables, increasing purchasing power, higher literacy, rising aspirations, greater linkages between urban & rural India has led to an increase in demand for goods & brands. Labor force participation in non-farm activities has led to more income earning opportunities, Government focus on poverty alleviation programs; Rural Employment Guarantee Schemes have boosted the Bottom of the Pyramid incomes. Yet there is more to the picture. This paper aims to provide a perspective to academicians and practitioners to trace some of changes in the growth of rural India.

Key Words: Rural India, Agricultural Produce Marketing, Handicrafts

MEANING OF RURAL IN INDIA

Collin's Cobuild Dictionary describes rural as "places far away from towns or cities". From Sociology point of view rural is defined as a group of people who are traditionalist in outlook, rooted in the land, and who resist change. Census of India (2001) defines rural as that what is not urban. The term rural as defined by the Government of India may not satisfy all, especially marketers because it defines the rural not on account of what it is, but what is not urban. If ten experts were to define the term rural, each would probably come up with a different definition. What is rural to Hindustan Lever may not necessarily be rural to Philips or Electrolux or someone else in terms of marketing & marketing communications. Most companies in the FMCG & agro-input sector would define rural as a place with a population of up to 20,000. Durable goods' companies would consider any town with a population of below 50,000 as a rural market. The definition of rural for marketing purposes varies from company to company & is also based on the calculation of Market Potential Value (MPV) of a particular area.

Customers in India have also been divided into three broad groups in terms of geography & sociological characteristics: Urban, Rural & Rurban in a continuum. Rurban is the overlap between urban & rural, with pretensions of being closer to urban in physical features, but with deep rural sociological moorings. Finally, rural mostly starts from where the organized distribution ends.¹

RURAL MARKETING

Is the planning & implementation of marketing functions for rural areas. It is a two way marketing process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas (for manufactured goods) & vice-versa (for agricultural produce), as also within rural areas. Rural marketing is the process of developing, pricing, promoting, distributing rural-specific goods and services leading to exchange between urban and rural markets, which satisfies consumer demand and also achieves organizational objectives. National Commission on Agriculture stated, “Rural marketing is a process which starts with a decision to produce a saleable farm commodity and involves all aspects of market structure or system, functional and institutional, based on technical and economic considerations, and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution. Rural marketing deals with various inputs, projects and services meant for the rural market. It is different from agricultural marketing which means marketing of rural products / output to the urban consumer or institutional market.

Phases of Rural Marketing

Phase	Time Period	Nature	Major Products	Source Market	Target Market
I	From Independence to Green Revolution	Agricultural Marketing	Agricultural Products	Rural	Urban
II	Green Revolution to Pre-liberalisation period	Marketing of Agro-inputs	Agricultural Inputs	Urban	Rural
III	Post-liberalisation period in 20th Century	Rural Marketing	Consumables & Durables for Consumption & Production	Urban & Rural	Rural
IV	21st Century	Developmental Marketing	All Products & Services	Urban & Rural	Urban & Rural

Rural Marketing: Concepts and Practices, Dogra B, Ghuman K, Tata Mc-Graw Hill, 2012

The objective of rural marketing in the current phase is the improvement of the quality of life by satisfying the needs and wants of customers, not through stand-alone products or services, but by presenting comprehensive and integrated solutions which might involve a set of inter-related products and services. Business organizations must consider how to integrate rural areas into their business model to create a win-win situation.

HOW RURAL IS CHANGING?

Gross Domestic Product (GDP) from Agriculture and Allied Sector and its Percentage Share to Total GDP (1954-55 to 2012-13)

Year	(Rupees crore)								
	GDP Total	GDP Total (at Factor Cost) - in Rs. Cr.		GDP Agriculture and Allied sector		% Share of Agriculture and Allied sector to total GDP		Growth Rate of GDP Agri. & Allied Sector	
		at current market Prices	at current prices	at constant 2004-05 prices	at current prices	at constant 2004-05 prices	at current prices	at constant 2004-05 prices	at current prices
1	2	3	4	5	6	7	8	9	
1954-55	11,170	10,689	325,431	4,902	168,361	45.86	51.73	-14.93	2.94
1999-00	2,012,198	1,847,273	2,246,276	455,302	522,795	24.65	23.27	5.79	2.67
2000-01	2,168,652	1,991,982	2,342,774	460,608	522,755	23.12	22.31	1.17	-0.01
2001-02	2,348,330	2,167,745	2,472,052	498,620	554,157	23.00	22.42	8.25	6.01
2002-03	2,530,663	2,338,200	2,570,690	485,080	517,559	20.75	20.13	-2.72	-6.60
2003-04	2,837,900	2,622,216	2,777,813	544,667	564,391	20.77	20.32	12.28	9.05
2004-05	3,242,209	2,971,464	2,971,464	565,426	565,426	19.03	19.03	3.81	0.18
2005-06	3,693,369	3,390,503	3,253,073	637,772	594,487	18.81	18.27	12.79	5.14
2006-07	4,294,706	3,953,276	3,564,364	722,984	619,190	18.29	17.37	13.36	4.16
2007-08	4,987,090	4,582,086	3,896,636	836,518	655,080	18.26	16.81	15.70	5.80
2008-09	5,630,063	5,303,567	4,158,676	943,204	655,689	17.78	15.77	12.75	0.09
2009-10	6,477,827	6,108,903	4,507,637	1,079,365	662,509	17.67	14.70	14.44	1.04
2010-11	7,795,313	7,266,966	4,937,006	1,306,942	713,477	17.98	14.45	21.08	7.69
2011-12 (RE)	8,974,947	8,353,495	5,243,582	1,465,753	739,495	17.55	14.10	12.15	3.65
2012-13 (AE)	10,028,118	9,461,979	5,503,476	1,643,145	752,746	17.37	13.68	12.10	1.79

Databook for CRP, March, 2014. Quick estimates

Source : CSO; Advance Estimates dated February 2013

The percentage share of Agriculture and Allied Sector to Total GDP stood at 51.73% in 1954-55. This reduced to 13.68% by 2012-13. The Agriculture sector employs 54.6% of the total workforce (Government of India, Ministry of Agriculture, year-end review 2014-15). Hence the proportion of workforce engaged in agriculture has not been commensurate with the decline of its share in the gross domestic product.

However, though traditionally, rural India was an agrarian economy this is no longer true. The Non-farm sector accounts for higher incomes in rural India than the farm sector. Decreased dependence of agriculture on the vagaries of a good monsoon, multiple sources of income for a household provide a more constant stream of income. The government's efforts to increase and

improve welfare schemes such as the 20 point program, backward classes schemes, rural schemes, social schemes, tribal schemes, women schemes, and labor and employment schemes will boost rural consumption.ⁱⁱ

The Government of India under the ministry of agriculture has also set up specific commodity Boards & export promotion council for monitoring and boosting the production, consumption, marketing & export of various agricultural commodities such as Cotton Corporation of India (CCI), Jute Corporation of India (JCI), Tea Board, Coffee Board, Spice Board, National Horticulture Board (NHB), National Agricultural Marketing Federation (NAFED), and Agricultural Products Export Development Authority (APEDA). Though most agricultural commodity markets generally operate under the normal forces of demand and supply, to protect farmer's interest and to encourage increased production, the government also fixes minimum support price (MSP) for some crops like Paddy, Wheat, Jute as public policy instruments.

CONTRIBUTION OF REGULATED MARKETS

APMCs came into existence as service oriented institutions operating to protect the interests of farmers and to check malpractices, if any, in marketing transactions for commodities and jurisdiction notified for the purpose. The APMC's aimed at providing a proper method of sale, correct weighing, prompt payment and various marketing related services with a democratic set up to control and manage markets. But the APMC's achieved only limited success. Rural Periodic Markets in general and the tribal markets in particular, remained out of its developmental ambit.

The advent of regulation of markets helped in mitigating marketing problems of the farmers to a considerable extent but they did not come up to the expectations of efficient marketing system. Over the year, they gradually shifted from service-oriented institutions towards revenue generating institutions for the State. After having consultation with State Governments on the recommendations made by Inter-Ministerial Task Force constituted on 4th July, 2001 the Ministry of Agriculture, Government of India formulated a Model Law on Agriculture Marketing in the year, 2003 and circulated to State Governments for implementation. This led to the Amendments in Model APMC Act, allowing the establishment of Private or Cooperative markets / Farmer - consumer markets / direct marketing, safeguarding the interest of the farmers

through provisions for Contract Farming, a Single point levy & payment of market fee / Single point registration of functionaries, Prohibition of Commission Agents for agriculturists and no deduction to be made towards commission, public-private partnership (PPP) in management & extension activities / Promotion of e-trading/ Electronic Spot Exchanges, encouraging professional management in APMCs, and Promotion of Grading & Standardization.

CONTRACT FARMING

The Government of India's National Agriculture Policy envisages that "Private sector participation will be promoted through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow and assured market for crop production, especially of oilseeds, cotton and horticultural crops".

Contract farming is defined as a system for the production and supply of agricultural / horticultural produce under Forward contracts between producers /suppliers and buyers. The essence of such an arrangement is the commitment of the producer / seller to provide an agricultural commodity of a certain type, at a time and a price, and in the quantity required by a known and committed buyer. Major benefits accruing to the farmer are – quality inputs, technical guidance, assured market and price. This results in enhanced farm productivity & income. The company enjoys twin advantages viz., assured availability of quality produce at pre-decided rates and an assured market for the company's products reaching even remote areas. This also facilitates building the image of the company and meets the social responsibility quotient.

LEGAL FRAMEWORK OF CONTRACT FARMING

A Contract Farming Sponsor has to register himself with a prescribed officer and get the contract farming agreement recorded. No title, rights, ownership or possession shall be transferred or alienated or vest in the contract farming sponsor or his successor or his agent as a consequence arising out of the contract farming agreement. Fast Dispute Settlement Mechanism at local level and Specification of Model Agreement for Contract Farming to ensure inclusion of terms and conditions safeguarding interest of both farmers & buyers are available.

SPECIAL CONCERNS

In some States, no provision for registration of contract farming sponsors, recording of contract farming agreement, dispute settlement mechanism, indemnity against the alienation of producer's land on failure of contract and a model agreement format for contract farming are in place. In some States, no specific provisions for setting up of private markets / direct marketing, setting up of consumers / producers' markets and fast redressal of disputes with regard to the same are available.ⁱⁱⁱ

Companies such as Cargill India Pvt Ltd (Wheat, Maize, Soybean – in Madhya Pradesh), Escorts Ltd (Basmati – in Punjab), Marico Ltd (Safflower - Maharashtra, Madhya Pradesh, Gujrat, Karnataka, Chhattisgarh, Rajasthan), ITC (Soybean - in Madhya Pradesh), Rallis India (Basmati, Wheat, Fruits, Vegetables - in Punjab, UP, MP, Maharashtra, Karnataka, TN), Suguna Poultry Farm Ltd (Broiler - in TN, AP) are among some of the companies that have taken up contract farming.^{iv} Contract farming can be successful if small farmers get together and form groups. This brings down transaction costs for farmers and the supply risks for corporates.

INDIAN AGRICULTURAL PRODUCE MARKETING: A BRIEF PROFILE

Primarily, three players involved in marketing of agricultural produce:

1. Government: Indirectly by enacting policies & regulatory framework, facilitating infrastructure development directly through boards, commissions, and corporations. Government establishes regulated markets, constructs warehouses, grading and standardizing produce, standardizing weights and measures, providing information on agricultural prices.
2. Co-operative Societies intervene through procurement, processing and marketing of agricultural produce. Major commodities handled are food grains, jute, cotton, sugar, milk, grapes, and areca (betel) nuts. Established in 1958 as the apex of the State Marketing Federations, the National Agricultural Cooperative Marketing Federation of India handles much of the domestic & most of the export marketing for its member organizations.
3. The Private Sector is involved in the form of merchants, traders, processing firms and corporate based contract farming. Agricultural produce is sold at weekly village markets (haats) in the farmers own village or neighboring village, in the Mandi, to Traders who come to the

work site, directly to the corporate sector for processing or exports. Large cooperative enterprises e.g. sugar factories, spinning mills and solvent extraction plants mostly handle their own marketing operations independently.

INDIAN HANDICRAFTS INDUSTRY

Handicraft defined, which is made by hand; should have some artistic value; they may or may not have functional utility. The materials range from wood, stone, metal, grass, Papier Mâché and glass, to cane bamboo, textiles, clay, terracotta and ceramic – which goes into the creation of a masterpiece. In 2012–13, Indian handicrafts exports stood at US\$ 3.3 billion (Source: Export Promotion Council for Handicrafts (EPCH)).

CULTURAL IMPORTANCE

Handicrafts play an important role in representing the culture and traditions of any country or region. Handicrafts are a substantial medium to preserve the rich traditional art, heritage & culture, traditional skills and talents which are associated with people's lifestyle and history.

ECONOMIC IMPORTANCE

Handicrafts are hugely important in terms of economic development as it provides opportunities for employment even with low capital investments and becomes a prominent medium for foreign earnings. The Export Promotion Council for Handicrafts (EPCH) is the apex body of the Government of India and works under the administrative control of the Ministry of Textiles, Government of India. Handicrafts products can be distinguished into following: Metal ware, Wood ware, Hand printed textiles, Embroidered and crocheted goods, Shawls, Carpets, Bamboo products, Zari goods, Imitation jewelry, Paintings, Earthenware, Jute products, Marble Sculpture, Bronze Sculpture, Leather Products and other miscellaneous handicrafts.

HANDICRAFT SECTOR SWOT

Strengths: Large product variety and range is available because of diversified culture. Handicrafts have both aesthetic and functional qualities. The capital investment required is low and there is flexibility in production. There is potential source of foreign revenue because of Export for which large and diversified potential market exist. There are low barriers to new entry.

Weaknesses of the Sector: Lack of infrastructure & communication facilities, unawareness about international requirements and markets, untimely delivery schedules, lack of co-ordination between government bodies and private players. Inadequate awareness of new technology and information of current market trends is a hindrance to the growth of this sector. Less interest of young people in craft industry, lack of skilled labor, inconsistent quality coupled with a lack of promotion of products has led to low growth.

Opportunities: There is a rising demand for handicraft products in developed countries such as USA, Canada, Britain, France, Germany, and Italy. Developing fashion industry requires handicrafts products. Development of domestic and international tourism sector, e-Commerce and Internet have emerged as promising distribution channels to market and sell craft products.

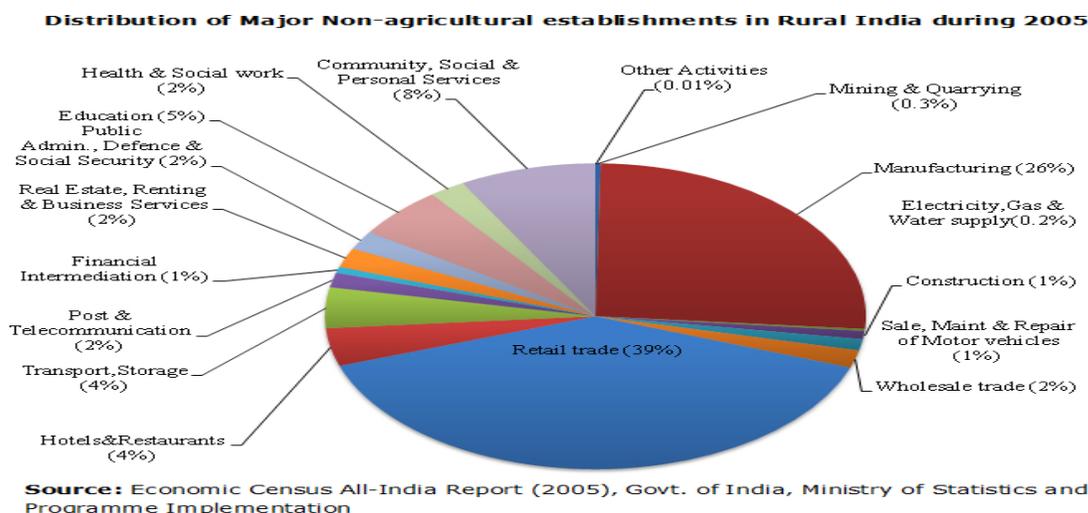
Threats: Quality products are being produced by competing countries like China, South Africa. Better trade terms, increased and better technological support and R&D facilities are offered by competing countries to their own industries.

Critical Success Factors for the Indian Handicraft sector are making production cost effective while maintaining quality standards and packaging and cost effective distribution methods have to be developed using both physical and electronic distribution channels such as ecommerce. Companies such as Craftsvilla.com are tying up with NGO's to provide a market for handicraft products. Such online companies aggregate the crafts and use the internet to create a platform to sell them. Players such as India Mart are doing business to business transactions online.^v

For selling handicrafts online it is essential to first determine the product source, conduct market research about the product and the customers to whom it is targeted to be sold. The next step is to get the product catalogue ready by clicking images and writing product descriptions. This should be followed by preparing an ecommerce website, choosing payment methods, and arranging to ship the products safely. In order to market online and drive audiences to your online store it is necessary to carry out tactics such as search engine optimization by choosing relevant keywords, email marketing, and paid advertising online on sites such as Google or Facebook. Thus

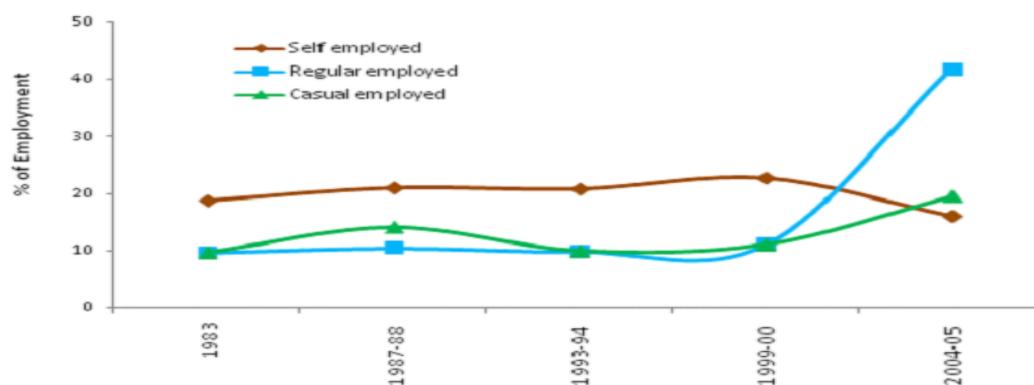
partnering with craftsmen or Indian Handicrafts stores, handicrafts fairs or places such as Dilli Haat can provide products.^{vi} Selling online will definitely provide a much needed fillip to sales of Indian Handicrafts.

Rural-Non-Farm-Sector (RNFS) includes all economic activities *viz.*, household and non-household manufacturing, handicrafts, processing, repairs, construction, mining and quarrying, transport, trade, communication, community and personal services in rural areas.



Non-farm employment can broadly be classified into three categories: Regular employment, Self-employment and Casual employment.

Trends in Employment Status in Rural Labor Force (male + female) by Sector



Source: NSS Report No. 522 (62/10/01) Employment and unemployment situation in India, July, 2005 - June, 2006

A trend of a shift from self-employed in agriculture to higher paid casual work in non-agricultural activities has also been pointed out by some independent studies. RNFE are not a substitute for employment in agriculture but rather as a supplementary measure. Agricultural

development is still important and should be pursued. The promotion of RNFE also should be undertaken within the broader context of rural development.

It is also essential to improve the marketing links between the village entrepreneurs and the larger business firms located in the towns/cities. Such strategic alliances or partnerships can contribute to the sustainability of small village and tiny enterprises in the rural areas. Human resource development, financial /credit facilities, research and development & women's participation with a view to making the activities self-sustaining in the changing competitive environment need to be focused on.

Landownership: Land is the most valuable, imperishable possession from which people derive their economic independence, social status and a modest and permanent means of livelihood. But in addition to that, land also assures them of identity and dignity and creates condition and opportunities for realizing social equality.

Distribution of Ownership Holdings of Land, India

Category	Proportion of Households (%)	Proportion of Area Owned (%)
Landless	31.12	0
Less than 0.4 ha	29.82	5.11
0.4-1 ha	18.97	16.89
1-2 ha	10.68	20.47
2-3 ha	4.22	13.94
3-5 ha	3.06	16.59
5-10 ha	1.6	15.21
More than 10 ha	0.52	11.77

The data shows that while one third of the households are landless, those near to landlessness add up one third more. 60 per cent of the country's population has right over only 5 per cent of country's land

10 per cent of the population has control over 55 per cent of the land.

Source: Distribution of Ownership Holdings of Land, India (NSSO 2003-04).

The above table shows the huge disparity that exists in the ownership of land.

Distribution

In India to deliver goods to the hinterland geographical distances have to be navigated. With a large number of villages not being connected with all-weather roads distribution is a major

bottleneck. The costs involved in serving rural consumers are high which makes it difficult for companies to scale up profitably. Sales and distribution networks tailored to rural India's requirements have to be established. Research findings suggest that the challenges experienced by companies can be classified into three major categories – reaching, acquiring and retaining India's rural customers.^{vii} There are difficulties in finding the right channel partners with sufficient capabilities and reach. Early entrants to the rural markets have adopted the village entrepreneur or 'feet on the street' model to overcome distribution challenges.

STATEMENT - 1
Percentage of population living in villages of various population size with reference to the total rural population : 2011

India/State/Union Territory	Percentage of population living in villages of population size						
	Less than 200	200-499	500-999	1,000-1,999	2,000-4,999	5,000-9,999	10,000- and above
1	2	3	4	5	6	7	8
INDIA *	0.98	4.76	12.39	23.69	34.64	14.86	8.68

Note:

* The figures excludes population of areas under unlawful occupation of Pakistan and China where Census could not be taken.

There are as many as 597,608 inhabited villages in India & among them 82,151 villages have a population size of less than 200 (0.98 per cent)

Nearly half of the rural population of India is residing in 115,080 villages with population more than 2,000 but less than 10,000.

The highest percentage of 34.64 is noted in the population range of 2,000-4,999.

Source: Censusindia.gov.in/2011

Ecommerce giants like Flipkart and Amazon are piloting rural distribution models to cater to small town customers. Ecommerce companies packaging and cataloguing partners are scaling up their businesses in smaller towns to support sellers in villages and taluks.^{viii} Smaller towns can further serve as feeders for small villages.

Companies are tying up with India Post to service larger numbers of pin codes. India Post started Cash on Delivery (COD) service in December 2013 for ecommerce companies. India Post has about 1.55 lakh post offices, making it the world's largest postal network. On an average, a post office serves 21.21 sq km area and about 7,175 people. The department with its huge network can serve as the best agency for not just delivering products, but also collecting money.^{ix}

Companies will need to master three steps to achieve profitable and sustainable growth in rural markets – Reaching, Acquiring and Retaining Customers.

Reach

A robust approach to the list mile; focus on market expansion; and create sustainable channel relationships

Acquire

Create trust and relevance through an ecosystem of stakeholders; define unique value propositions for rural consumers; and engage the right set of influencers

Retain

Devise low-cost models for after sales support; anchor customer relationships on trust; and invest in community development^x

In conclusion with urban market getting saturated companies have to look to rural for growth. The above factors discussed in this paper contribute to the changes in rural markets and companies need to take cognizance of the same. A rural market strategy is essential in the long run for companies in India not only for their expansion and growth but also in order that Bharat and India i.e. rural and urban become one.

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